

Freedom Township  
AUDITED FINANCIAL STATEMENTS

March 31, 2004

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

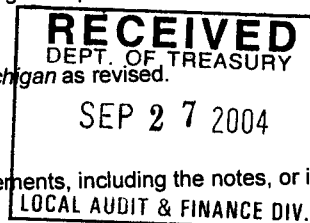
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>FREEDOM TOWNSHIP</b>	County <b>WASHTENAW</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>7/1/04</b>	Date Accountant Report Submitted to State: <b>9.24.03</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>POST, SMYTHE, LUTZ, AND ZIEL, CPA'S, LLP</b>			
Street Address <b>1034 WEST ANN ARBOR TRAIL</b>	City <b>PLYMOUTH</b>	State <b>MI</b>	ZIP <b>48170</b>
Accountant Signature 		Date <b>9.22.04</b>	

# FREEDOM TOWNSHIP

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FINANCIAL STATEMENTS

# POST, SMYTHE, LUTZ and ZIEL LLP

*Certified Public Accountants*

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July 1, 2004

### Independent Auditor's Report

Board of Trustees  
Freedom Township  
Manchester, Michigan

We have audited the accompanying financial statements of Freedom Township as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1C, the Township prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Freedom Township as of March 31, 2004, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1C.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund and account group financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Freedom Township. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Respectfully,



POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants

FREEDOM TOWNSHIP  
Combined Statement of Assets, Liabilities and Fund Equity - Cash Basis  
All Fund Types and Account Groups  
March 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary</u> <u>Fund Types</u>	<u>Account</u> <u>Groups</u>	<u>Total</u>
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u>	<u>Trust and</u> <u>Agency</u>	<u>General</u> <u>Fixed Assets</u>	<u>(Memorandum</u> <u>Only)</u>
<u>ASSETS</u>					
Cash	\$ 94,601	\$ 91,763	\$ 888,290	\$ -	\$ 1,074,654
Due from Other	1,787	-	-	-	1,787
Due from Other Funds	36,267	-	-	-	36,267
Fixed Assets	-	-	-	143,070	143,070
Total Assets	<u>\$ 132,655</u>	<u>\$ 91,763</u>	<u>\$ 888,290</u>	<u>\$ 143,070</u>	<u>\$ 1,255,778</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Due to Other Funds	\$ -	\$ -	\$ 36,267	\$ -	\$ 36,267
Payroll Taxes Withheld	629	-	-	-	629
Due to Other Governmental Units	-	-	392,798	-	392,798
Performance Bonds	-	-	459,225	-	459,225
Total Liabilities	<u>629</u>	<u>-</u>	<u>888,290</u>	<u>-</u>	<u>888,919</u>
Fund Equity:					
Investment in General Fixed Assets	-	-	-	143,070	143,070
Fund Balance:					
Reserved	16,319	6,133	-	-	22,452
Unreserved:					
Undesignated	115,707	85,630	-	-	201,337
Total Fund Equity	<u>132,026</u>	<u>91,763</u>	<u>-</u>	<u>143,070</u>	<u>366,859</u>
Total Liabilities and Fund Equity	<u>\$ 132,655</u>	<u>\$ 91,763</u>	<u>\$ 888,290</u>	<u>\$ 143,070</u>	<u>\$ 1,255,778</u>

FREEDOM TOWNSHIP  
Combined Statement of Revenues, Expenditures and  
Changes in Fund Balance - Cash Basis  
All Governmental Fund Types  
For the Year Ended March 31, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
Revenues:			
Current Property Taxes	\$ 71,204	\$ -	\$ 71,204
Special Assessments	43,825	-	43,825
Permits & Fees	5,964	-	5,964
Intergovernmental - State	105,862	-	105,862
Intergovernmental - County	-	5,105	5,105
Rent	1,430	-	1,430
Interest	180	-	180
Reimbursements	21,448	-	21,448
Other	6,666	-	6,666
Total Revenues	<u>256,579</u>	<u>5,105</u>	<u>261,684</u>
Expenditures:			
Legislative	2,750	-	2,750
General Government	105,479	-	105,479
Public Safety	55,334	-	55,334
Public Works	50,820	5,832	56,652
Other Functions	6,269	-	6,269
Total Expenditures	<u>220,652</u>	<u>5,832</u>	<u>226,484</u>
Excess (Deficiency) of Revenues Over Expenditures	35,927	(727)	35,200
Fund Balance - April 1, 2003	<u>96,099</u>	<u>92,490</u>	<u>188,589</u>
Fund Balance - March 31, 2004	<u>\$ 132,026</u>	<u>\$ 91,763</u>	<u>\$ 223,789</u>



FREEDOM TOWNSHIP  
Combined Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual - Cash Basis  
General and Special Revenue Funds  
For the Year Ended March 31, 2004

	General Fund		
	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Current Property Taxes	\$ 72,000	\$ 71,204	\$ (796)
Special Assessments	-	43,825	43,825
Permits & Fees	200	5,964	5,764
Intergovernmental - State	109,045	105,862	(3,183)
Intergovernmental - County	-	-	-
Reimbursements	8,500	21,448	12,948
Rent	1,500	1,430	(70)
Interest	5,000	180	(4,820)
Other	2,975	6,666	3,691
Total Revenues	199,220	256,579	57,359
Expenditures:			
Legislative	3,080	2,750	330
General Government	100,735	105,479	(4,744)
Public Safety	73,823	55,334	18,489
Public Works	25,314	50,820	(25,506)
Other Functions	8,220	6,269	1,951
Capital Outlay	500	-	500
Total Expenditures	211,672	220,652	(8,980)
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,452)	35,927	\$ 48,379
Fund Balance - April 1, 2003		96,099	
Fund Balance - March 31, 2004		\$ 132,026	

Special Revenue Funds		
Final Budget	Actual	Variance- Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
9,665	5,105	(4,560)
-	-	-
-	-	-
-	-	-
-	-	-
<u>9,665</u>	<u>5,105</u>	<u>(4,560)</u>
-	-	-
-	-	-
-	-	-
6,000	5,832	168
-	-	-
<u>4,000</u>	<u>-</u>	<u>4,000</u>
<u>10,000</u>	<u>5,832</u>	<u>4,168</u>
\$ <u><u>(335)</u></u>	(727)	\$ <u><u>(392)</u></u>
	<u>92,490</u>	
	\$ <u><u>91,763</u></u>	

FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(1) Summary of Significant Accounting Policies

Freedom Township is a regular organized township under the Northwest Ordinance of 1787. The Township operates under a Board of Trustees/Supervisor form of government and provides various services as permitted by law.

The accounting policies of Freedom Township conform to generally accepted accounting principles as applicable to governments with the exception of basis of accounting (see Note 1C). The following is a summary of the more significant policies:

A. Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity," the financial statements of Freedom Township contain all the Township funds, account groups and authorities for which the Township is financially accountable and the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. Financial accountability exists if the Township appoints a voting majority of an organization's governing board, is either able to impose its will on another organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Township, or if an organization is fiscally dependent on the Township.

Based on the foregoing criteria, no other organizations exist that are included or excluded from the Township's annual report.

B. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into various fund types and fund categories as follows:

FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

GOVERNMENTAL FUNDS

General Fund--This fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds--These funds are used to account for the proceeds of specific governmental revenue requiring separate accounting because of legal or regulatory provisions or administrative action. Currently, this includes the Recycle and Public Improvement Funds.

FIDUCIARY FUNDS

Trust and Agency Funds--These funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. This category is composed of only agency funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

General Fixed Asset Account Group--This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

C. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

- 1) Governmental Funds are accounted for using the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Their revenues are recognized when they are received. Expenditures are recognized in the accounting period in which the liability is paid.

FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(1) Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

- 2) Fiduciary Fund revenues and expenditures are also recognized on the cash basis of accounting. Currently, the Fiduciary Fund's category consists of agency funds.

D. Budgetary Data

Freedom Township follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). Formal budgetary integration is employed as a management control device during the year for the General Fund and selected Special Revenue Funds.

Budgets for the General and Special Revenue Funds are adopted on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

The original budget was amended during the year in compliance with applicable State laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the Township.

E. Assets, Liabilities and Fund Equity

1) Fixed Assets

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems

FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(1) Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

1) Fixed Assets (Continued)

and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The general fixed asset account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

2) Cash/Deposits

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury and commercial paper with certain investment grades.

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits are separately displayed on the balance sheets as "Cash".

The carrying amount of the Township's deposits with financial institutions at March 31, 2004 was \$1,074,654 and the bank balance was \$1,076,374. The bank balance is categorized as follows:

Amounts Insured by F.D.I.C.	\$ 326,374
Uncollateralized	<u>750,000</u>
Total Bank Balance	<u>\$1,076,374</u>

3) Due To and From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(1) Summary of Significant Accounting Policies (Continued)

F. Revenues, Expenditures and Expenses

Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31, and are levied on December 1 of the following year. The Township bills and collects its own property taxes and also taxes for the County and various school districts which are accounted for in the Tax Collection Agency Fund. Township property tax revenues are recognized when levied to the extent that they are measurable and available in accordance with the N.C.G.A. Interpretation 3 (Revenue Recognition - Property Taxes).

G. Total Column on Combined Statements - Overview

Total Columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis.

Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

H. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Stewardship, Compliance and Accountability

A. Deficit Fund Balances/Retained Earnings

The Township has no accumulated fund balance deficits.

B. Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a

FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(2) Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations in Budgetary Funds (Continued)

functional basis. The approved budgets of the Township for these budgetary funds were adopted at the fund level for all funds.

During the year ended March 31, 2004, the Township did incur expenditures which were in excess of the amounts appropriated in the budgetary funds:

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Expenditures</u>
General Fund	\$211,672	\$220,652	\$8,980

(3) Detail Notes on All Funds and Account Groups

A. Assets and Liabilities

1) Changes in General Fixed Assets

	<u>General Fixed Assets April 1, 2003</u>	<u>Additions (Deletions)</u>	<u>General Fixed Assets March 31, 2004</u>
Land and Improvements:			
Township Hall	\$ 6,900	\$ -	\$ 6,900
Cemetery	500	-	500
Land	20,000	-	20,000
Township Hall and Improvements	69,651	-	69,651
Township Hall Furnishings	5,935	-	5,935
Recycle Site Improvements	5,232	-	5,232
Landfill Containers	1,360	-	1,360
Voting Machines	9,447	-	9,447
Office Equipment and Radio	<u>24,045</u>	<u>-</u>	<u>24,045</u>
Total General Fixed Assets	<u>\$143,070</u>	<u>\$ -</u>	<u>\$143,070</u>

2) Land Restoration Fund

Within the boundaries of the Township are several gravel pits operated by commercial enterprises. To comply with the Township Zoning Ordinance, four special use permits are currently enforced by the Township Planning Commission to give permission to extract and process gravel from the land by the land owners and commercial enterprises. As part of the agreement, the applicants (land owners and commercial enterprises) agreed that as a condition to the granting of a special use permit that they would establish an escrow fund as security for the restoration of the land. Under the agreement the applicants are obligated to deposit two (\$0.02) cents per ton of material extracted from the lands.



FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(3) Detail Notes on All Funds and Account Groups (Continued)

A. Assets and Liabilities (Continued)

2) Land Restoration Fund (Continued)

The Freedom Township Planning Commission must approve any funds withdrawn from the escrow accounts. All of the escrow accounts are jointly held by Freedom Township and the commercial enterprise.

The following activity occurred in the escrow accounts jointly held with the Township and the separate corporations during the year ended March 31, 2004:

Balance April 1, 2003	\$402,220
Additions	57,005
Deductions	-
Balance March 31, 2004	<u>\$459,225</u>

B. Revenues and Expenditures

Revenue: General Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on December 1 of the following year. The Township bills and collects its own property taxes and also taxes for the County and various school districts which are accounted for in the Tax Collection Agency Fund.

The Township is permitted by State law to levy taxes up to \$1.16 per \$1,000 of equalized valuation for general government services, prior to "rollback" required by M.C.L. 211.34d. In 2003, the Township levied 1.0000 mills.

The Township has entered into an agreement with Washtenaw County Board of Commissioners for the prepayment of delinquent real property taxes. The Board of Commissioners has established a "Washtenaw County Delinquent Revolving Fund". The purpose of this fund is to allow the County Treasurer to pay each taxing unit any delinquent real property taxes which are due on settlement day with the Township Treasurer. To raise sufficient monies to finance the Revolving Fund, the County sells notes pledging the anticipated collection of the taxes as security. These taxes have been recorded as revenue for the current year.

C. Individual fund interfund receivable and payable balances at March 31, 2004 are shown below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Current Tax	<u>\$36,267</u>

FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(3) Detail Notes on All Funds and Account Groups (Continued)

D. Detailed Listing of Fund Balances for Reserved and Unreserved Balances

A detailed description of fund balance reservations and designations (for all governmental fund types) at March 31, 2004, is presented below:

	<u>General Operating</u>	<u>Special Revenue</u>	<u>Totals</u>
Fund Balance:			
Reserved for:			
Recycling	\$ -	\$ 6,133	\$ 6,133
Special Assessment	16,319	-	16,319
Unreserved:			
Undesignated	<u>115,707</u>	<u>85,630</u>	<u>201,337</u>
Total Fund Balance	<u>\$132,026</u>	<u>\$ 91,763</u>	<u>\$223,789</u>

(4) Other Information

A. Risk Management

Freedom Township is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Township believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

B. Western Washtenaw Construction Authority

In November 1999, the Townships of Manchester, Freedom, and Bridgewater, along with the Village of Manchester established the Western Washtenaw Construction Authority pursuant to the Urban Cooperation Act of 1967. The purpose of the Authority is to administer and enforce construction codes and other ordinances adopted by each of the participating municipalities. The Authority's Board of Directors consists of one representative from each of the member municipalities.

FREEDOM TOWNSHIP  
Notes to Financial Statements  
March 31, 2004

(4) Other Information (Continued)

C. GASB Statement No. 34 Reporting Change

For the fiscal year beginning April 1, 2004 through March 31, 2005, the Township plans to adopt Governmental Accounting Standards Board (GASB) Statement No. 34. This will result in a change in the financial statement reporting model. Governmental activities will be reported on a budgetary basis as well as on a full accrual basis of accounting. This may result in prior period adjustments. However, pro forma information is not currently available to project the effect of the reporting change.

FINANCIAL STATEMENTS OF  
INDIVIDUAL FUNDS  
AND ACCOUNT GROUPS

## GENERAL FUND

The General Fund is to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

FREEDOM TOWNSHIP  
General Fund  
Statement of Assets, Liabilities, and Fund Balance - Cash Basis  
March 31, 2004

ASSETS

Cash	\$ 94,601
Due from Other	1,787
Due from Other Funds	<u>36,267</u>
Total Assets	<u>\$ 132,655</u>

LIABILITIES AND FUND BALANCE

Liabilities	\$ <u>629</u>
Fund Balance:	
Reserved for Special Assessment	16,319
Unreserved, Undesignated	<u>115,707</u>
Total Fund Balance	<u>132,026</u>
Total Liabilities and Fund Balance	<u>\$ 132,655</u>

FREEDOM TOWNSHIP  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual - Cash Basis  
For the Year Ended March 31, 2004

	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Current Property Taxes	\$ 72,000	\$ 71,204	\$ (796)
Special Assessments	-	43,825	43,825
Permits and Fees	200	5,964	5,764
Intergovernmental - State	109,045	105,862	(3,183)
Reimbursements - Fire Runs	8,500	21,448	12,948
Rent	1,500	1,430	(70)
Interest	5,000	180	(4,820)
Mobile Home Tax	275	123	(152)
Other	2,700	6,543	3,843
Total Revenues	199,220	256,579	57,359
Expenditures:			
Legislative:			
Trustees Salary	3,080	2,750	330
General Government:			
Supervisor Salary	13,000	13,000	-
Clerk Salary	13,600	14,008	(408)
Deputy Clerk Salary	1,000	215	785
Treasurer Salary	15,000	15,000	-
Assessor	10,657	10,657	-
Elections	2,480	-	2,480
Conferences	1,000	946	54
Dues and Memberships	2,000	1,904	96
Legal	10,000	18,756	(8,756)
Printing and Supplies	8,729	9,077	(348)
Board of Review	869	869	-
Hall Management	22,000	20,569	1,431
Cemetery Maintenance	400	478	(78)
Total General Government	100,735	105,479	(4,744)

(continued)

FREEDOM TOWNSHIP  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual - Cash Basis  
For the Year Ended March 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Expenditures: (Continued)			
Public Safety:			
Building Code Administration	\$ 3,600	\$ 3,600	\$ -
Zoning	5,050	4,708	342
Planning	20,173	18,066	2,107
Fire Protection	45,000	28,960	16,040
Total Public Safety	<u>73,823</u>	<u>55,334</u>	<u>18,489</u>
Public Works:			
Road and Drain Maintenance	25,314	23,314	2,000
Lake Improvement	-	27,506	(27,506)
Total Public Works	<u>25,314</u>	<u>50,820</u>	<u>(25,506)</u>
Other Functions:			
Workers Compensation	3,120	1,239	1,881
Payroll Taxes	5,100	5,030	70
Total Other Functions	<u>8,220</u>	<u>6,269</u>	<u>1,951</u>
Capital Outlay	<u>500</u>	<u>-</u>	<u>500</u>
Total Expenditures	<u>211,672</u>	<u>220,652</u>	<u>(8,980)</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(12,452)</u>	35,927	\$ <u>48,379</u>
Fund Balance - April 1, 2003		<u>96,099</u>	
Fund Balance - March 31, 2004		\$ <u>132,026</u>	



## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

FREEDOM TOWNSHIP  
Special Revenue Funds  
Combining Statement of Assets and Fund Balance - Cash Basis  
March 31, 2004

	<u>Recycle Fund</u>	<u>Public Improve- ment Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ <u>6,133</u>	\$ <u>85,630</u>	\$ <u>91,763</u>
<u>FUND BALANCE</u>			
Reserved for Recycling	\$ 6,133	\$ -	\$ 6,133
Unreserved	-	85,630	85,630
Total Fund Balance	\$ <u>6,133</u>	\$ <u>85,630</u>	\$ <u>91,763</u>

FREEDOM TOWNSHIP  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual - Cash Basis  
For the Year Ended March 31, 2004

	Recycle Fund		
	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Intergovernmental - County	\$ 9,665	\$ 5,105	\$ (4,560)
Total Revenues	<u>9,665</u>	<u>5,105</u>	<u>(4,560)</u>
Expenditures:			
Public Works:			
Dumpster	4,500	2,082	2,418
Clean Up	<u>1,500</u>	<u>3,750</u>	<u>(2,250)</u>
Total Public Works	6,000	5,832	168
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>6,000</u>	<u>5,832</u>	<u>168</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>3,665</u>	(727)	\$ <u>(4,392)</u>
Fund Balance - April 1, 2003		<u>6,860</u>	
Fund Balance - March 31, 2004		\$ <u>6,133</u>	

Public Improvement Fund			Total		
Final Budget	Actual	Variance- Favorable (Unfavorable)	Final Budget	Actual	Variance- Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 9,665	\$ 5,105	\$ (4,560)
-	-	-	9,665	5,105	(4,560)
-	-	-	4,500	2,082	2,418
-	-	-	1,500	3,750	(2,250)
-	-	-	6,000	5,832	168
4,000	-	4,000	4,000	-	4,000
4,000	-	4,000	10,000	5,832	4,168
\$ (4,000)	-	\$ 4,000	\$ (335)	(727)	\$ (392)
	85,630			92,490	
	\$ 85,630			\$ 91,763	

## AGENCY FUNDS

Agency funds are used to account for assets held by the Township as an agent for other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

FREEDOM TOWNSHIP  
Agency Funds  
Combining Statement of Assets and Liabilities - Cash Basis  
March 31, 2004

	<u>Current Tax Collection Fund</u>	<u>Land Restoration Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ <u>429,065</u>	\$ <u>459,225</u>	\$ <u>888,290</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 36,267	\$ -	\$ 36,267
Due to Other Governmental Units	392,798		392,798
Performance Bonds	<u>-</u>	<u>459,225</u>	<u>459,225</u>
Total Liabilities	\$ <u>429,065</u>	\$ <u>459,225</u>	\$ <u>888,290</u>

## GENERAL FIXED ASSET ACCOUNT GROUP

The General Fixed Asset Account Group represents accumulated expenditures by the Township for capital assets and improvements of long life which are not accounted for in the proprietary fund operations. Included are buildings, land, vehicles, furniture and equipment and other items. No provision has been made for depreciation nor has any loss in value, which may have occurred since acquisition, been recognized in the accounts.

FREEDOM TOWNSHIP  
General Fixed Asset Account Group  
Schedule of General Fixed Assets - Cash Basis  
March 31, 2004

General Fixed Assets

Land	\$ 27,400
Buildings	69,651
Equipment	<u>46,019</u>
Total General Fixed Assets	<u>\$ 143,070</u>
Investment in General Fixed Assets	<u>\$ 143,070</u>

FREEDOM TOWNSHIP  
General Fixed Asset Account Group  
Schedule of Changes in General Fixed Assets - Cash Basis  
For the Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land and Improvements:				
Township Hall	\$ 6,900	\$ -	\$ -	\$ 6,900
Cemetery	500	-	-	500
Land	20,000	-	-	20,000
Township Hall and Improvements	69,651	-	-	69,651
Township Hall Furnishings	5,935	-	-	5,935
Recycle Site Improvements	5,232	-	-	5,232
Landfill Containers	1,360	-	-	1,360
Voting Machines	9,447	-	-	9,447
Office Equipment and Radio	<u>24,045</u>	<u>-</u>	<u>-</u>	<u>24,045</u>
Total General Fixed Assets	<u>\$ 143,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,070</u>



STATISTICAL SECTION

FREEDOM TOWNSHIP  
Schedule of Taxes Levied, Collected and Returned Delinquent  
2003 Tax Roll  
March 31, 2004

Adjusted Taxable Valuation                      \$ 71,732,125

	<u>Final Levy</u>	<u>Returned Delinquent</u>	<u>Collections</u>	<u>Percent Collected</u>
Washtenaw County	\$ 400,396	\$ 23,745	\$ 376,651	94.07%
Washtenaw Community College	275,037	15,601	259,436	94.33%
Freedom Township	71,728	4,254	67,474	94.07%
State Education Tax	358,658	9,353	349,305	97.39%
Washtenaw Intermediate School District	219,150	12,431	206,719	94.33%
School Districts:				
Manchester Schools	599,471	38,516	560,955	93.58%
Chelsea Schools	201,981	9,051	192,930	95.52%
Saline Schools	48,617	-	48,617	100.00%
Dexter Schools	6,552	-	6,552	100.00%
Saline District Library	3,467	183	3,284	94.72%
Dexter District Library	183	-	183	100.00%
Manchester District Library	71,805	4,308	67,497	94.00%
Special Assessments	<u>76,890</u>	<u>6,182</u>	<u>70,708</u>	91.96%
Totals	\$ <u>2,333,935</u>	\$ <u>123,624</u>	\$ <u>2,210,311</u>	94.70%

# POST, SMYTHE, LUTZ AND ZIEL LLP

*Certified Public Accountants*

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Cari A. Ford, C.P.A.  
Wendy Leung Lee, C.P.A.  
Therese Mulholland, C.P.A.

July 1, 2004

Board of Trustees  
Freedom Township  
4383 Lima Center Road  
Ann Arbor, MI 48103

In planning and performing our audit of Freedom Township for the year ended March 31, 2004, we have considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are an opportunity for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated July 1, 2004 on the financial statements of Freedom Township.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,

  
POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants

### Property Tax Collection Fund

The property tax settlements for 2002 and 2003 tax rolls had significant funds retained in the accounts after final settlements. We have identified all but \$5,555.92, which appears to be funds due to taxpayers for over paid accounts. The Township Treasurer is working to resolve these differences. The amounts identified should be disposed of as follows:

Amount Due Township	\$22,740.89
Interest earned in 2003/2004	
Due to taxing units	395.98
Delinquent personal property taxes	
Due to taxing units	1,951.78

To assist in future tax settlements, we recommend that:

- Banks be reconciled monthly
- Use of a general ledger system to track disbursements/receipts of property tax collections. Ideally, this ledger would be maintained by the Clerk, and used as a "check and balance" over the tax collection process.
- Deposit only current taxes into the tax collection account. Delinquent personal property taxes should be administered in a separate "trust and agency" account, and delinquent real property taxes remitted by the County should be deposited to the general fund.

### Accounting System

The Township's accounting and reporting system provides the Township Board with meaningful financial reports on an interim and annual basis for the Township's General and Special Revenue Funds. To improve the system, we recommend:

- Bank balances be compared and agreed to the Treasurer's monthly bank reconciliation.
- Trust and Agency Funds (Tax and Land Restoration Fund) be included in the accounting system.
- Software-The current program used for the accounting function is an "off the shelf" low end product designed for commercial users, not governmental operations. While the program has served adequately to produce the checks, and post cash receipts, it presents challenges to the Clerk's efforts to maintain the accounting records for all of the Township's accounting entities (Funds). We suggest, that the Township consider accounting software designed for governmental operations.
- Use of State's Uniform Chart of Accounts.

GASB 34

The Governmental Financial Standards Board (GASB) issued its Statement Number 34 in 1999, which requires Governments to issue reports which with different format and accounting methods than the current reporting model, as well as a "management discussion and analysis" section, similar to reports of publicly traded companies. These standards will first apply to the Township's fiscal year ending March 31, 2004.

In order to measure compliance with State and Local law, the basic accounting and record keeping will remain the same (budgetary basis), however, the implementation of the new reporting model will require significant efforts by Freedom Township. We suggest an implementation team be assembled to identify the issues, and develop methods to arrive at solutions, in order to minimize the costs to the Township and delays in the delivery of the annual financial reports.